D.P.U. 93-69

Petition of Eastern Edison Company for authorization and approval by the Department of Public Utilities of: (1) the execution of one or more loan agreements by Eastern Edison Company with the Massachusetts Industrial Finance Agency or a similar agency with tax-exempt bonding authority in an amount not to exceed $40,000,000, pursuant to G.L. c. 164, § 14; (2) the issuance by Eastern Edison Company of one or more series of First Mortgage and Collateral Trust Bonds; (3) the execution by Eastern Edison Company of a letter of credit and reimbursement agreement; (4) the execution by Eastern Edison Company of related financing and security agreements; (5) an exemption from the competitive bidding provisions of G.L. c. 164, § 15; and (6) an exemption from the par value provisions of G.L. c. 164, § 15A.

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FOR: EASTERN EDISON COMPANY
Petitioner

I. INTRODUCTION

On April 7, 1993, Eastern Edison Company ("EECo" or "Company") filed an application with the Department of Public Utilities ("Department") for authorization and approval of: (1) the execution of one or more loan agreements by the Company with the Massachusetts Industrial Finance Agency ("MIFA") or a similar agency with tax-exempt bonding authority in an amount not to exceed $40,000,000, pursuant to G.L. c. 164, § 14; (2) the issuance by the Company of one or more series of First Mortgage and Collateral Trust Bonds; (3) the execution by the Company of a letter of credit and reimbursement agreement; (4) the execution by the Company of related financing and security agreements; and (5) an exemption from the competitive bidding provisions of G.L. c. 164, § 15. On April 20, 1993, the Company filed a motion for leave to amend its initial application and an amended application that, in addition to the above, sought an exemption from the par value provisions of G.L. c. 164, § 15A. On May 11, 1993, the Department granted the Company's motion.

To investigate the petition, the Commission designated Dorian C. Mead, Esq. and William H. Stevens, Esq. as hearing officers and assigned Claude R. Francisco, an economist with the Rates and Revenue Requirements Division of the Department, as technical staff. Pursuant to notice duly issued, a public hearing was held at the Department's offices in Boston on May 11, 1993. No petitions for leave to intervene were filed.

At the hearing, the Company presented the testimony of one witness in support of its petition: Basil G. Pallone, assistant treasurer of the Company. The Company offered twenty-nine exhibits and the Department submitted one exhibit, all of which were admitted into evidence. During the hearing, the Department made two record requests to the Company. The Company's responses to these record requests are included in the record of this case.

The Company is a Massachusetts corporation and a wholly-owned subsidiary of Eastern Utilities Associates ("EUA"). The Company supplies retail electric service to approximately 176,000 customers in 22 cities and towns in southeastern Massachusetts. The largest communities served are the cities of Brockton and Fall River. EECo's service territory covers approximately 390 square miles and has an estimated population of approximately 445,000. In addition to its retail electric operations, the Company owns all permanent securities of Montaup Electric Company ("Montaup"). Montaup supplies substantially all the electric power requirements of EECo.

EUA is a Massachusetts voluntary association organized and existing under a declaration of trust dated April 2, 1928, as amended, and is a registered holding company under the Public Utility Holding Company Act of 1935. In addition to its ownership of the Company, EUA owns all common stock of two other retail electric companies: Blackstone Valley Electric Company ("Blackstone"), which serves northern Rhode Island; and Newport

Electric Corporation ("Newport"), which serves south coastal Rhode Island. In addition to supplying substantially all the electric power requirements of EECo, Montaup supplies substantially all of Blackstone's power requirements and approximately 50 percent of Newport's power requirements.

EUA also owns directly all common stock of EUA Service Corporation, which provides services to the EUA System companies. In addition to EECo, Montaup, Blackstone, Newport, and EUA Service Corporation, the EUA System companies include EUA Cogenex Corporation, an energy management company; EUA Energy Investment Corporation, a concern established to invest in cogeneration and small power production facilities; and EUA Ocean State Corporation, which owns a 29 percent interest in the Ocean State Power generating project.

II. STANDARD OF REVIEW

In order for the Department to approve the issuance of stock, bonds, coupon notes, or other types of long-term indebtedness[1] by an electric or gas company, the Department must determine that the proposed issuance meets two tests. First, the Department must assess whether the proposed issuance is reasonably necessary to accomplish some legitimate purpose in meeting a company's service obligations, pursuant to G.L. c. 164, § 14. Fitchburg Gas & Electric Light Company v. Department of

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[1] Long-term refers to periods of more than one year after the date of issuance. G.L. c. 164, § 14.

Public Utilities, 395 Mass. 836, 842 (1985) ("Fitchburg II"), citing Fitchburg Gas & Electric Light Company v. Department of Public Utilities, 394 Mass. 671, 678 (1985) ("Fitchburg I"). Second, the Department must determine whether the Company has met the net plant test.[2] Colonial Gas Company, D.P.U. 84-96 (1984).

The courts have found that, for the purposes of G.L. c. 164, § 14, "reasonably necessary" means "reasonably necessary for the accomplishment of some purpose having to do with the obligations of the company to the public and its ability to carry out those obligations with the greatest possible efficiency." Fitchburg II at 836, citing Lowell Gas Light Company v. Department of Public Utilities, 319 Mass. 46, 52 (1946) ("Lowell Gas").

The Fitchburg I, Fitchburg II and Lowell Gas cases also established that the burden of proving that an issuance is reasonably necessary rests with the company proposing the issuance, and that the Department's authority to review a proposed issuance "is not limited to a 'perfunctory review.'" Fitchburg I at 678; Fitchburg II at 842, citing Lowell Gas at 52.

In cases where no issue exists about whether the management decisions regarding the requested financing were the result of a reasonable decision-making process, the Department limits its review under Section 14 to the question of whether proceeds from an issuance will be used for a purpose that, on its face, is reasonable. Canal Electric Company, et al., D.P.U. 84-152, at 20

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[2] The net plant test is derived from G.L. c. 164, § 16.

(1984); see, e.g., Colonial Gas Company, D.P.U. 90-50, at 6 (1990).

Regarding the net plant test, a company is required to present evidence that its net utility plant (original cost of capitalizable plant, less accumulated depreciation) equals or exceeds its total capitalization (the sum of its long-term debt and its preferred and common stock outstanding, exclusive of retained earnings) and will continue to do so following the proposed issuance. Colonial Gas Company, D.P.U. 84-96, at 5.

Pursuant to G.L. c. 164, § 15, an electric or gas company offering long-term bonds or notes in excess of $1 million in face amount must invite purchase proposals through newspaper advertisements. The Department may grant an exemption from this requirement if the Department finds that an exemption is in the public interest. G.L. c. 164, § 15. The Department has found it in the public interest to grant an exemption from the advertisement requirement where there has been a measure of competition in the private placement process. See, e.g., Western Massachusetts Electric Company, D.P.U. 88-32, at 5 (1988); Eastern Edison Company, D.P.U. 88-127, at 11-12 (1988); Berkshire Gas Company, D.P.U. 89-12, at 11 (1989). The Department also has found that it is in the public interest to grant a company an exemption from the advertisement requirement when a measure of flexibility is necessary in order for a company to enter the bond market in a timely manner. See, e.g., Western Massachusetts

Electric Company, D.P.U. 88-32, at 5.

Pursuant to G.L. c. 164, § 15A, an electric or gas company offering long-term bonds, debentures, notes, or other evidences of indebtedness may not issue said securities at less than par value. The Department may grant an exemption from this par value requirement if the Department finds that an exemption is in the public interest. G.L. c. 164, § 15A.

The Department has found that it is in the public interest to grant an exemption from the par value requirement where market conditions make it difficult at times for a company to price a particular issue at par value and simultaneously offer an acceptable coupon rate to prospective buyers. Bay State Gas Company, D.P.U. 91-25, at 10 (1991). The Department also has found that it is in the public interest to authorize the issuance of securities below par value where this technique offers a company enhanced flexibility in entering the market quickly to take advantage of prevailing interest rates, particularly if this benefits the company's ratepayers in the form of lower interest rates and a lower cost of capital (id.). See also Boston Gas Company, D.P.U. 92-127, at 8 (1992); Boston Edison Company, D.P.U. 91-47, at 12-13 (1991).

If the Department authorizes a company to issue securities at less than par value, the Department may establish the method by which the company is required to amortize any discount.[3] G.L. c. 164, § 15A; see, e.g., Boston Gas Company, D.P.U. 92-127, at 8; Boston Edison Company, D.P.U. 91-47, at 15.

III. DESCRIPTION OF THE PROPOSED FINANCING

The Company proposes to borrow the proceeds of one or more issuances of tax-exempt refunding revenue bonds ("refunding bonds") by MIFA or a similar government agency with tax-exempt bond issuance authority (Exh. EE-1, at 2).[4] The Company plans to use the proceeds in order to refund the outstanding principal amount of MIFA's 1983 10 1/8 percent pollution control revenue bonds ("pollution control bonds"), due 2008 and callable on August 1, 1993, issued by MIFA on behalf of the Company (id.; Exh. EE-29, at 3, 4).[5] The aggregate principal amount of the

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[3] The discount is the difference between the par value of a bond, note, or other debt security and the actual issue price when the actual issue price is less than par value.

[4] The tax-exempt bond issuance authority of MIFA is derived from the provisions of G.L. c. 23A and those provisions of G.L. c. 40D that are incorporated by reference into G.L. c. 23A by G.L. c. 23A, § 35A. The federal income tax exemption of interest on MIFA's bonds is found in §§ 142-145 of the Internal Revenue Code of 1986 (Exh. EE-6).

[5] In a transaction in 1983 very similar to that now proposed by the Company, EECo borrowed the proceeds from MIFA's issuance of $40,000,000 of pollution control revenue bonds that the Company now seeks to refund. In that transaction, as in the transaction now proposed, the Company used MIFA as an intermediary to achieve tax-exempt status for the securities and, therefore, a lower cost of debt. The 1983 bond issuance by MIFA and borrowing by EECo was approved by Department Order dated August 12, 1983. See Eastern Edison (continued...)

Company's borrowings under this proposal is not to exceed $40,000,000 (Exh. EE-29, at 3).

In order to complete the proposed transaction, the Company seeks authorization to execute one or more loan and trust agreements with MIFA or other similar government agency, to issue one or more series of first mortgage and collateral trust bonds, to execute a letter of credit and reimbursement agreement, and to execute related financing and security agreements, if necessary.[6] The Company is also seeking exemptions from the competitive bidding provisions of G.L. c. 164, § 15, and the par value provisions of G.L. c. 164, § 15A.

The Company plans to complete the proposed financing on or before December 31, 1994 (Exh. EE-1, at 2).[7] The Company indicated that MIFA gave preliminary approval to the proposed issuance of the refunding bonds on March 16, 1993 (Exh. EE-22; Exh. EE-29, at 13; Tr. at 8, 10, 11). After the Company receives

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[5](...continued)
Company, D.P.U. 1573 (1983).

[6] The Company's board of directors authorized the proposed issuance of the refunding bonds and the execution of related financing and security agreements at a board meeting held on February 23, 1993 (Exh. EE-29, Sch. 5, at 2).

[7] The Company indicated that under Internal Revenue Service guidelines, the refunding bonds may be issued up to three months before the redemption of the outstanding pollution control bonds, first callable on August 1, 1993 (Exh. EE-29, at 13).

MIFA's final approval of the proposed transaction, the Company will begin the process of preparing the necessary documentation (Tr. at 8).

The Company stated that the timing and amounts of the refunding bonds will be determined based on market conditions and other relevant factors at the time of issuance, including maturity and expected savings from the refinancing (Exh. EE-28; Exh. EE-29, at 13). The Company noted, however, that interest rates are at historically low levels and that the Company would prefer to issue the refunding bonds as soon as possible after receiving appropriate regulatory approvals (Exh. EE-29, at 13). The Company's refinancing analysis for the outstanding pollution control bonds provides an estimated annual interest savings ranging from $1,412,000 to $1,512,000, or a net present value savings as a percent of principal ranging from 24.54 percent to 26.12 percent (Exh. EE-29, Sch. 1, at 1)[8].

The Company proposes to enter into one or more loan and

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[8] The interest expense savings estimates are based on a 3 percent redemption premium, an underwriting spread ranging from 0.5 percent to 1.0 percent, and new coupon rates ranging from 5.6 percent to 6.0 percent, depending on whether the refunding bonds are issued as fixed-rate or variable-rate bonds, insured or uninsured (Exh. EE-29, Sch. 1). The Company noted that under the applicable provisions of the Internal Revenue Code, the maturity of the refunding bonds may not exceed the greater of: (1) 17 years from the date of issuance of the bonds refunded, or (2) 120 percent of the reasonably expected economic life of the project financed with the bonds refunded remaining at the time the refunding bonds are issued (Exh. EE-28).

trust agreements, not to exceed $40,000,000 in total (Exh. EE-1, at 1). Although the proposed loan and trust documents had not yet been drafted at the date of the evidentiary hearing in this case, the Company did provide a copy of the loan and trust agreement executed between the Company and MIFA in connection with the 1983 pollution control bond issuance and borrowing, approved by the Department in D.P.U. 1573 (RR-DPU-1). Mr. Pallone testified that the Company does not expect any loan and trust agreement executed between MIFA and the Company with respect to the proposed transaction to be significantly different from that executed with respect to the transaction in 1983 (Tr. at 13).

As part of its application, the Company requested authorization from the Department to enter into several financing and security agreements related to the proposed transaction (Exh. EE-1, at 1). Mr. Pallone testified that the financing and security agreements, in their broadest definition, encompass everything that the Company would sign in connection with the proposed financing, including the loan and trust agreement with MIFA (Tr. at 14). In addition to the loan and trust agreement, for which the Company sought specific Department approval, the Company also requested Department authorization to issue one or more series of first mortgage and collateral trust bonds ("first mortgage bonds")[9] with respect to the Company's financing proposal (Exh. EE-1, at 1).[10]

Mr Pallone stated that the Company is seeking Department approval to issue first mortgage bonds in case it is required by MIFA or an insurance company insuring payment on MIFA's refunding bonds (Tr. at 9).[11] According to Mr. Pallone, EECo has been advised by the refunding bond underwriters, Goldman Sachs and Citibank, N.A., that in order to obtain bond insurance, given the current BBB+ rating on the Company's corporate debt, the Company would probably be required to provide additional collateral to the bond insurance company in the form of first mortgage bonds (Exh. EE-29, at 9; Tr. at 11, 12).[12] Mr. Pallone testified that

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9 First mortgage bonds are secured by a senior mortgage or indenture on the company's assets that, by reason of its position, has priority over all junior encumbrances.

10 Mr. Pallone stated that if the Company were to issue first mortgage bonds, the first mortgage bonds would be issued pursuant to the Company's indenture with State Street Bank and Trust Company (Tr. at 15). The Company's only other indenture is with Citibank, N.A. and was entered into in connection with the Company's issuance of unsecured medium-term notes (id.).

11 Mr. Pallone stated that the interest rate, redemption, and sinking fund provisions, if any, of the first mortgage bonds, if issued, would correspond to the provisions of the refunding bonds (Exh. EE-29, at 8).

12 According to Mr. Pallone, MIFA would employ two underwriters for the proposed issuance of the refunding bonds (Tr. at 22). Mr. Pallone stated that even though the issuance is technically the responsibility of MIFA, the Company does

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if the Company seeks and is successful in obtaining bond insurance for the refunding bonds, the refunding bonds would be rated AAA, the credit rating of the bond insurance company (Tr. at 33). In deciding whether to seek bond insurance, the Company would compare the interest rate savings achieved by AAA-rated bonds to the cost of the insurance policy to determine whether the savings is greater than the cost (Tr. at 33, 34[13]).

The Company has also requested specific authorization and approval from the Department for the issuance of a letter of credit and associated reimbursement agreement (Exh. EE-1, at 1).

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[12](...continued) retain a measure of control over the process and is an active participant since the terms of the loan and trust agreement that the Company proposes to execute with MIFA would mirror the terms of the refunding bonds issued by MIFA (Tr. at 21, 23).

[13] If the refunding bonds are insured by a bond insurance company, the credit rating on the refunding bonds would reflect the credit rating of the bond insurance company (Exh. EE-29, at 9). The pollution control bonds currently outstanding were insured by the American Municipal Bond Assurance Corporation and are rated AAA by Standard & Poor's Corporation ("S&P") and Aaa by Moody's Investor Service ("Moody's") (id.). In contrast, the Company's first mortgage bonds are currently rated BBB+ by S&P and Baa1 by Moody's (id.). The difference between the credit rating of EECo and the credit rating of the bond insurance company translates into expected savings from bond insurance. According to the Company's analysis, the procurement of bond insurance would reduce the expected coupon rate on the refunding bonds and increase the estimated present value savings accruing to the Company from the proposed refinancing over that expected to be realized in the event of the issuance of uninsured bonds (Exh. EE-29, Sch. 1, at 1).

According to Mr. Pallone, the Company would obtain the letter of credit from a bank to ensure payment of principal, premium, if any, and interest on variable rate bonds, should the Company deem it advantageous to issue variable rate bonds instead of fixed rate bonds (Exh. EE-29, at 7). If it chooses this option, the Company would execute a letter of credit and reimbursement agreement whereby it would agree to reimburse the bank for all draws under the letter of credit and pay the fees and expenses of the bank in connection with the letter of credit (id.). Mr. Pallone testified that the immediate advantage of variable rate bonds is a lower interest rate (Tr. at 19). Since interest rates are now at historical lows, the Company plans to issue fixed rate bonds, but would like to preserve the variable rate option (id.).

The Company has also requested exemption from the competitive bid process required by G.L. c. 164, § 15, with respect to the Company's proposal to issue first mortgage bonds to MIFA as additional collateral for MIFA's loan to the Company of the proceeds of the issuance of the refunding bonds (RR-DPU-2, at 1). Since the first mortgage bonds would be issued directly to MIFA, the Company testified that there could be no competitive bidding for them (id.). The Company stated that the refunding bonds would be issued by MIFA, not the Company, and their issuance is therefore not subject to the requirements of G.L.

c. 164, § 15 (id.).[14] Mr. Pallone testified that if the Company were to issue the bonds directly and not use MIFA as an intermediary, the Company would not be able to obtain tax-exempt status for the refunding bonds (Tr. at 42). Using an example, Mr. Pallone explained how the issuance through MIFA could reduce the Company's interest costs by 150 basis points[15] (Tr. at 43).[16]

Regarding the Company's request for exemption from the par value provisions of G.L. c. 164, § 15A, Mr. Pallone testified that an exemption from these requirements would give the Company the ability to access the market on the most favorable terms (Tr. at 37). Issuing below par also gives the underwriters the advantage of marketing the refunding bonds at a more attractive

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[14] The Company explained that the refunding bonds to be issued by MIFA would be sold by underwriters selected by the Company (RR-DPU-2, at 1). The Company contends that the nature of the underwriting process provides incentives to the underwriters to obtain the most competitive rate available for the refunding bonds based on market conditions at the time of sale (id.).

[15] A basis point is one-hundredth of one percentage point.

[16] Mr. Pallone explained how the Company had completed an issuance of first mortgage bonds with a 10-year maturity at an interest rate of 7 percent and with a 30-year maturity at an interest rate of 8.12 percent on the morning of the evidentiary hearing (Tr. at 43). By extrapolation, Mr. Pallone concluded that the rate for first mortgage bonds with a 15 year maturity, the probable maturity of the refunding bonds, would be approximately 7.5 percent (id.). This would be the Company's cost of capital if it were to refinance on its own. By using MIFA as an intermediary, the Company could issue refunding bonds with a 15-year maturity at 6 percent, a difference of 150 basis points (id.).

coupon rate and allows for the underwriters' spread (id.). Mr. Pallone also testified that the interest expense borne by the Company will be the same regardless of whether the bonds are sold below par, at par, or above par, although the coupon rate would change (Tr. at 38). If the refunding bonds are issued at below par value, the Company proposes that the amount of any discount be amortized over the life of the bond (id.).

The Company estimates that it will incur $2,647,000 in expenses as a result of the proposed issuance of fixed-rate, insured, tax-exempt refunding bonds, including $1,200,000 for the 3 percent premium required to call the pollution control bonds prior to maturity (Exh. EE-26, at 1).

IV. CAPITAL STRUCTURE OF THE COMPANY

The Company provided an analysis of its capital structure as of December 31, 1992 (Exh. EE-29, Sch. 4, at 2). The Company's analysis shows that as of December 31, 1992, the Company's outstanding common stock totalled $72,283,950, consisting of 2,891,357 shares, with a par value of $25 per share (id.; Exh. EE-24, at 53). The Company also reported redeemable preferred stock of $32,600,000, non-redeemable preferred stock of $9,000,000, and long-term debt of $275,000,000 (Exh. EE-24, at 53; Exh. EE-29, Sch. 4, at 2). The Company's total permanent capital was $388,883,950 ($72,283,950 + $32,600,000 + $9,000,000 + $275,000,000) (id.; Tr. at 27).

The Company's net capitalizable utility plant as of December

31, 1992 was $515,619,882 (Exh. EE-29, Sch. 4, at 2; Tr. at 27). Thus, as of December 31, 1992, the Company had an excess of net utility plant over outstanding capital of $126,735,932 ($515,619,882 - $388,883,950) (Exh. EE-29, Sch. 4, at 2; Tr. at 27).

In its testimony, the Company made three adjustments to the calculation of its total permanent capital. First, the Company reduced total preferred stock and long-term debt by $206,600,000, the amount of planned redemptions (Exh. EE-29, Sch. 4, at 2). See Eastern Edison Company D.P.U. 93-24 (1993). This adjustment increased the excess of net utility plant over outstanding capital by the amount of the adjustment. Second, the Company increased the total amount of preferred stock and long-term debt outstanding by $215,000,000, the total amount of new issuances authorized by previous order of the Department (Exh. EE-29, Sch. 4, at 2).[17] See D.P.U. 93-24. This adjustment reduced the excess of net utility plant over outstanding capital by the amount of new issuances authorized. Third, the Company reduced the amount of long-term debt by $40,000,000 to reflect the planned redemption of the Company's pollution control bonds (Exh. EE-29, Sch. 4, at 2). This adjustment increased the excess of net utility plant over outstanding capital. The net effect of

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[17] Mr. Pallone testified that as of the date of the evidentiary hearing in this matter the Company had completed the refinancing of $100,000,000 of first mortgage bonds pursuant to D.P.U. 93-24 (Tr. at 28).

these three adjustments is an increase in the calculated excess of net utility plant over outstanding capital of $31,600,000 (+$206,600,000 - $215,000,000 + $40,000,000) to $158,335,932 ($126,735,932 + $31,600,000) (Id.; Tr. at 28).

V. ANALYSIS AND FINDINGS

Based on the foregoing, the Department finds that EECo's proposal to execute one or more loan and trust agreements with the Massachusetts Industrial Finance Agency, or a similar agency with tax-exempt bonding authority, in an amount not to exceed $40,000,000, to issue one or more series of first mortgage and collateral trust bonds, to execute a letter of credit and reimbursement agreement, and to execute other related financing and security agreements for the stated purpose of refunding the outstanding principal amount of the Company's 1983 10 1/8 percent pollution control revenue bonds, due 2008, is reasonably necessary in accordance with G.L. c. 164, § 14. Issues concerning the prudence of the Company's capital financing have not been raised in this proceeding, and the Department's decision in this case does not represent a determination that any project is economically beneficial to the Company or its customers. The Department emphasizes that its determination in this Order shall not in any way be construed as a ruling relative to the appropriate ratemaking to be accorded any costs associated with the proposed financing.

Under the Department's precedent regarding the calculation of the net plant test, the Department finds that the Company's proposed financing meets the net plant test. Based on its estimate of the cost of certain planned refundings of currently outstanding preferred stock and long-term debt, the Company estimates that there is an excess of net utility plant over outstanding capital of $158,335,932 to support the proposed financing (Exh. EE-29, Sch. 4, at 2).

With respect to the Company's request for an exemption from the competitive bidding provisions of G.L. c. 164, § 15, the Department finds that the Company's proposal to use MIFA as a conduit for the proposed transaction will generate substantial savings in interest expense and thereby provide the benefits of competition and timely issuance of securities to the Company's ratepayers. We find, therefore, that the Company's request for an exemption from the competitive bidding requirements of G.L. c. 164, § 15, is in the public interest.

The Company has also requested an exemption from the par value provisions of G.L. c. 164, § 15A. The Department finds that the ability to issue debt securities below par value offers the Company increased flexibility in placing its issuances with prospective purchasers. We find also that this increased flexibility will allow the Company to issue securities in a timely manner to take advantage of prevailing interest rates. We find, therefore, that the Company's request for an exemption from G.L. c. 164, § 15A, is in the public interest.

In accordance with G.L. c. 164, § 15A, the Company has proposed to amortize the amount of any discount from par value over the life of the security. The Department finds that this proposal is in the public interest.

VI. ORDER

Accordingly, after due notice, hearing, and consideration, the Department

VOTES: That the execution by Eastern Edison Company of one or more loan agreements with the Massachusetts Industrial Finance Agency, or a similar agency with tax-exempt bonding authority, in an amount not to exceed $40,000,000, to issue one or more series of first mortgage and collateral trust bonds, to execute a letter of credit and reimbursement agreement, and to execute other related financing and security agreements is reasonably necessary to refund the outstanding principal amount of Eastern Edison Company's 10 1/8 percent pollution control revenue bonds, due 2008; and it is

ORDERED: That Eastern Edison Company shall be authorized to execute one or more loan agreements with the Massachusetts Industrial Finance Agency, or a similar agency with tax-exempt bonding authority, in an amount not to exceed $40,000,000, to issue one or more series of first mortgage and collateral trust bonds, to execute a letter of credit and reimbursement agreement, and to execute other related financing and security agreements for the purpose of refunding the outstanding principal amount of

Eastern Edison Company's 10 1/8 percent pollution control revenue bonds, due 2008; and further

VOTES: That the issuance and sale, from time to time, by Eastern Edison Company of up to $40,000,000 of long-term debt securities at less than par value pursuant to G.L. c. 164, § 15A, is in the public interest, and that if a security is sold at less than par value, it is in the public interest to amortize the discount over the life of the security; and it is

ORDERED: That Eastern Edison Company's issuance and sale, from time to time, of up to $40,000,000 in long-term debt securities, at less than par value, pursuant to G.L. c. 164, § 15A, is in the public interest, and such issuance and sale shall be exempt from the provisions of G.L. c. 164, § 15A; and that if a security is sold at less than par value, it is in the public interest to amortize the discount over the life of the security, and the discount shall be amortized over the life of the security; and it is

FURTHER ORDERED: That Eastern Edison Company's execution of one or more loan agreements with the Massachusetts Industrial Finance Agency, or other similar agency with tax-exempt bonding authority, in an amount not to exceed $40,000,000 without complying with the competitive bidding provisions of G.L. c. 164, § 15, is in the public interest, and that such issuance and sale shall be exempt from the provisions of G.L. c. 164, § 15.

By Order of the Department,